

AMENDED IN SENATE APRIL 13, 2015

**SENATE BILL**

**No. 661**

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**Introduced by Senator Hill**

February 27, 2015

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An act to amend Sections 755 and 756 of, to amend, repeal, and add Sections 401.17, 1152, 1153, and 1155 of, ~~and to add Sections 100.51, 721.51, and 828.1~~ 828.1, and 1157 to, *and to amend and repeal Section 1153.5 of*, the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 661, as amended, Hill. Property taxation: state assessment: commercial air carrier personal property.

Existing property tax law requires the personal property of an air carrier to be taxed at its fair market value, and the California Constitution requires property subject to ad valorem property taxation to be assessed in the county in which it is situated. Existing law, through the 2015–16 fiscal year, specifies a formula to determine the fair market value of certificated aircraft of a commercial air carrier, and rebuttably presumes that the amount determined pursuant to this formula is the fair market value of the certificated aircraft.

The California Constitution requires the State Board of Equalization to assess specified properties owned by specified entities. Existing property tax law provides for the valuation of properties of a state assessee that owns property in more than one county. Existing law also provides, pursuant to specified formulas, for the application in each county of specified tax rates to the allocated assessed value of a state assessee's property, and for the allocation among jurisdictions in that county of the resulting revenues.

This bill would, from the lien date for the ~~2016-17~~ 2017-18 fiscal year and each fiscal year thereafter, require the board to assess personal property that is owned by a commercial air carrier, as defined, in a manner consistent with currently specified procedures that determine the extent that the certificated aircraft is physically present in each county within the state. *The bill would require the board to determine the fair market value of certificated aircraft according to the formula described above.* This bill would require the board to notify county assessors, as specified, if a commercial air carrier's taxable personal property includes fixtures that are to be locally assessed as real property. This bill would require that the revenues derived from the assessment of this property be allocated in the same percentage shares as revenues derived from locally assessed property among the jurisdictions in which the property is located. This bill would also make conforming changes to related provisions. *The bill would also require the board to conduct an audit of a commercial air carrier every four years, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 100.51 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 100.51. Notwithstanding any other law, for the ~~2016-17~~
- 4 2017-18 fiscal year and each fiscal year thereafter, all of the
- 5 following apply:
- 6 (a) The property tax assessed value of taxable personal property
- 7 that is owned by a commercial air carrier, as defined in Section
- 8 721.51, and that is assessed by the board, shall be allocated entirely
- 9 to that tax rate area in the county in which the property is located.
- 10 (b) The tax rate applied to the assessed value allocated pursuant
- 11 to subdivision (a) shall be the rate calculated pursuant to Section
- 12 93.
- 13 (c) The revenues derived from the application of the tax rate to
- 14 the assessed value allocated to a tax rate area pursuant to
- 15 subdivision (a) shall be allocated among the jurisdictions in that
- 16 tax rate area, in those same percentage shares that property tax
- 17 revenues derived from locally assessed property are allocated to
- 18 those jurisdictions in that tax rate area, subject to any allocation
- 19 and payment of funds as provided in subdivision (b) of Section

1 33670 of the Health and Safety Code, and subject to any  
2 modifications or adjustments made pursuant to Sections 99 and  
3 99.2.

4 *SEC. 2. Section 401.17 of the Revenue and Taxation Code is*  
5 *amended to read:*

6 401.17. (a) For the 2005–06 fiscal year to the ~~2015–16~~  
7 ~~2016–17~~ fiscal year, inclusive, it shall be rebuttably presumed that  
8 the preallocated fair market value of each make, model, and series  
9 of mainline jets, production freighters, and regional aircraft that  
10 has attained situs within this state is the lesser of the sum total of  
11 the amounts determined under paragraph (1) or the sum total of  
12 the amounts determined under paragraph (2). The value of an  
13 individual aircraft assessed to the original owner of that aircraft  
14 shall not exceed its original cost from the manufacturer. The  
15 preallocated fair market value of an aircraft may be rebutted by  
16 evidence including, but not limited to, appraisals, invoices, and  
17 expert testimony.

18 (1) (A) The original cost for the aircraft, which shall be  
19 determined as follows and adjusted, as applicable, under  
20 subparagraphs (B), (C), and (D):

21 (i) For owned and leased aircraft, the taxpayer’s or lessor’s  
22 acquisition cost for that individual aircraft reported in accordance  
23 with generally accepted accounting principles, and to the extent  
24 not included in the acquisition cost, transportation costs and  
25 capitalized interest and the cost of improvements made before a  
26 transaction described in clause (ii). If the original cost for leased  
27 aircraft cannot be determined from information reasonably  
28 available to the taxpayer, original cost may be determined by  
29 reference to the “average new prices” column of the Airliner Price  
30 Guide for that model, series, and year of manufacture of aircraft.  
31 If information is not available in the “average new prices” column  
32 for that model, series, and year, the original cost may be determined  
33 using the best indicator of original cost plus all conversion costs  
34 and improvement costs incurred for that aircraft.

35 (ii) For sale/leaseback or assignment of purchase rights  
36 transaction aircraft, the average of the taxpayer’s cost established  
37 pursuant to clause (i) and the cost established in a sale/leaseback  
38 or assignment of purchase rights transaction for individual aircraft  
39 that transfers the benefits and burdens of ownership to the lessor  
40 for United States federal income tax purposes. In no event shall

1 the original cost for sale/leaseback aircraft be less than the  
2 taxpayer's acquisition cost.

3 (iii) In the event of a merger, bankruptcy, or change in  
4 accounting methods by the reporting airline, there shall be a  
5 rebuttable presumption that the cost of the individual aircraft and  
6 the acquisition date reported by the acquired company, if available,  
7 or the cost reported prior to the change in accounting method, are  
8 the original cost and the applicable acquisition date.

9 (B) (i) For mainline jets and production freighters, the original  
10 cost described in subparagraph (A), plus the cost of any  
11 improvements not otherwise included in the original cost, shall be  
12 adjusted from the date of the acquisition of the aircraft to the lien  
13 date using the monthly United States Department of Labor  
14 Producer Price Index for aircraft and a 20-year straight-line  
15 percent-good table starting from the delivery date of the aircraft  
16 to the current owner or, in the case of a sale/leaseback or  
17 assignment of purchase rights transaction, as described in this  
18 section, the current operator with a minimum combined factor of  
19 25 percent.

20 (ii) For regional aircraft, the original cost described in  
21 subparagraph (A), plus the cost of any improvements not otherwise  
22 included in the original cost, shall be adjusted from the date of the  
23 acquisition of the aircraft to the lien date using the monthly United  
24 States Department of Labor Producer Price Index for aircraft and  
25 a 16-year straight-line percent-good table starting from the delivery  
26 date of the aircraft to the current owner or, in the case of a  
27 sale/leaseback or assignment of purchase rights transaction, as  
28 described in this section, the current operator with a minimum  
29 combined factor of 25 percent.

30 (iii) If original cost is determined by reference to the Airliner  
31 Price Guide "average new prices" column, the adjustments required  
32 by this paragraph shall be made by setting the acquisition date of  
33 the aircraft to be the date of the aircraft's manufacture.

34 (C) (i) For mainline jets and regional aircraft, the assessor shall  
35 analyze the adjusted original cost derived pursuant to subparagraph  
36 (B), for application of an economic obsolescence allowance which  
37 shall be determined as follows:

38 (I) For the applicable year, the assessor shall calculate the  
39 average annual net revenue per available seat mile, the net load  
40 factor, and the yield utilizing the Airline Quarterly Financial

1 Review published by the United States Department of  
2 Transportation, and referring to the section descriptive of the  
3 passenger airline industry, entitled “System Operations, System  
4 Pax. Majors” for the calendar year ending December 31  
5 immediately preceding the applicable assessment date.

6 (II) For a 10-year benchmark, the assessor shall calculate as of  
7 December 31 for each of the 10 calendar years preceding the  
8 applicable year, the average annual net revenue per available seat  
9 mile, the net load factor, and the yield utilizing the Airline  
10 Quarterly Financial Review published by the United States  
11 Department of Transportation, and referring to the section  
12 descriptive of the passenger airline industry, entitled “System  
13 Operations, System Pax. Majors” for the calendar year ending  
14 December 31 immediately preceding the applicable assessment  
15 date.

16 (ii) (I) The assessor shall compare each factor calculated under  
17 subclause (I) of clause (i) with the corresponding factor calculated  
18 under subclause (II) of clause (i) to derive the percentage that each  
19 of the factors calculated under subclause (I) of clause (i) deviated  
20 from the 10-year benchmark calculated under subclause (II) of  
21 clause (i). The assessor shall then calculate a weighted average of  
22 the indicated percentage adjustments, weighted as follows:

23 (aa) Net revenue per available seat mile shall be weighted 35  
24 percent.

25 (ab) Net load factor shall be weighted 35 percent.

26 (ac) Yield shall be weighted 30 percent.

27 (II) The assessor shall reduce the adjusted original costs derived  
28 under subparagraph (B) by the percentage adjustment calculated  
29 in subclause (I), but only if the final economic obsolescence  
30 determined under that subclause exceeds 10 percent, otherwise no  
31 economic obsolescence allowance shall be provided.

32 (D) (i) For production freighters, the assessor shall analyze the  
33 adjusted original cost derived under subparagraph (B), for  
34 application of an economic obsolescence allowance, as follows:

35 (I) For the applicable year, the assessor shall calculate the  
36 industry average of net revenue per available ton mile and the ton  
37 load factor based upon the Airline Quarterly Financial Review  
38 published by the United States Department of Transportation, and  
39 referring to the section descriptive of the cargo airline industry,  
40 entitled “System Operations, System Cargo Majors” for the

1 calendar year ending December 31 preceding the relevant  
2 assessment date.

3 (II) For a 10-year benchmark, the assessor shall calculate as of  
4 December 31 for each of the 10 calendar years preceding the  
5 applicable year, the net revenue per available ton mile and the ton  
6 load factor utilizing the Airline Quarterly Financial Review  
7 published by the United States Department of Transportation and  
8 referring to the section descriptive of the cargo airline industry,  
9 entitled “System Operations, System Cargo Majors” as of  
10 December 31 for each of the 10 calendar years preceding the  
11 calendar year utilized for the subject year, for the calendar year  
12 ending December 31 immediately preceding the applicable  
13 assessment date.

14 (ii) (I) The assessor shall compare each factor calculated under  
15 subclause (I) of clause (i) with the corresponding factor calculated  
16 under subclause (II) of clause (i) to derive the percentage that each  
17 of the factors calculated under subclause (I) of clause (i) deviated  
18 from the 10-year benchmark calculated under subclause (II) of  
19 clause (i). The assessor shall then calculate a weighted average of  
20 the indicated percentage adjustments so that the net revenue per  
21 available ton mile is weighted 50 percent and the ton load factor  
22 is weighted 50 percent.

23 (II) The assessor shall reduce the adjusted original costs derived  
24 under subparagraph (B) by the percentage adjustment calculated  
25 in subclause (I), but only if the final economic obsolescence  
26 determined under that subclause exceeds 10 percent, otherwise no  
27 economic obsolescence allowance shall be provided.

28 (2) (A) Except as otherwise provided in subparagraph (B), for  
29 each individual mainline jet, production freighter, or regional  
30 aircraft, the assessor shall identify the value referenced in the “Used  
31 Price of Avg. Acft. Wholesale” column of the Winter edition of  
32 the Airliner Price Guide by make, model, series, and year of  
33 manufacture, and deduct 10 percent from that value for a fleet  
34 discount.

35 (B) For each individual mainline jet, production freighter, or  
36 regional aircraft that is less than two years old and for which the  
37 Airliner Price Guide does not list used wholesale values, the  
38 original cost determined under paragraph (1) of subparagraph (A)  
39 shall be decreased by the lesser of 5 percent or one-half of the  
40 percentage decrease between original cost and 90 percent of the

1 value listed in the “Used Price of Avg. Acft. Wholesale” column  
2 of the Winter edition of the Airliner Price Guide for a two-year-old  
3 aircraft of that same make, model, and series.

4 (b) For the 2005–06 fiscal year to the ~~2015–16~~ 2016–17 fiscal  
5 year, inclusive, it shall be rebuttably presumed that the preallocated  
6 fair market value for each make, model, and series of converted  
7 freighters that has attained situs within this state is the amount that  
8 is determined as follows:

9 (1) (A) The assessor shall begin his or her appraisal of a  
10 converted freighter as of the relevant lien date by identifying the  
11 aircraft’s original cost as a passenger aircraft prior to conversion.  
12 The aircraft’s original cost as a converted freighter shall be the  
13 lesser of:

14 (i) Its trended original cost as a passenger aircraft prior to  
15 conversion, less a downward adjustment of 10 percent to reflect  
16 tear-outs.

17 (ii) Its value described in the Winter edition of the Airliner Price  
18 Guide in the “Used Price of Avg. Acft. Wholesale” column in  
19 passenger configuration, less a downward adjustment of 10 percent  
20 to reflect tear-outs.

21 (B) The amount determined under subparagraph (A) shall be  
22 adjusted according to the following:

23 (i) If, on the relevant lien date, the frame of the aircraft is 15  
24 years old or more, 50 percent of the cost to convert the aircraft to  
25 a freighter shall be added to the value determined under  
26 subparagraph (A).

27 (ii) If, on the relevant lien date, the frame of the aircraft is less  
28 than 15 years old, 75 percent of the cost to convert the aircraft to  
29 a freighter shall be added to the value determined under  
30 subparagraph (A).

31 (iii) In addition, all other improvements, including capitalized  
32 interest, to the aircraft that are not otherwise included in the  
33 aircraft’s original and conversion costs shall be added at full value.

34 (2) The amount determined under paragraph (1) shall be adjusted  
35 from the date of the conversion of the aircraft to the lien date using  
36 the monthly United States Department of Labor Producer Price  
37 Index for aircraft and a 16-year straight-line percent-good table,  
38 however, the percent-good applied to the aircraft shall in no event  
39 be less than 15 percent.

(3) If the Airliner Price Guide “Used Price of Avg. Acft. Wholesale” is utilized under paragraph (1), only the improvements and adjusted conversion costs pertaining to the converted freighter shall be adjusted from the date of the conversion of the aircraft to the relevant lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 16-year straight-line percent-good table. In no event, however, shall the percent-good applied to the improvements and adjusted conversion costs be less than 15 percent.

(4) (A) Except as otherwise provided in subparagraph (B), the assessor shall reduce the adjusted original cost, plus improvements, and adjusted conversion costs, derived under paragraphs (1) to (3), inclusive, by the obsolescence percentage adjustment calculated for production freighters under subparagraph (D) of paragraph (1) of subdivision (a).

(B) If the Airliner Price Guide “Used Price of Avg. Acft. Wholesale” is utilized under paragraph (1), only the improvements and adjusted conversion costs pertaining to the converted freighter shall be reduced by the obsolescence percentage adjustment described in subparagraph (A).

(c) For purposes of this section, if the Airliner Price Guide ceases to be published or the format significantly changes, a guide or adjustment agreed to by commercial air carriers and the counties in which certificated aircraft have situs shall be substituted. If these parties do not agree on a guide or adjustment, the State Board of Equalization shall determine the guide or adjustment.

(d) The taxpayer shall, to the extent that information is reasonably available to the taxpayer, furnish the county assessor with an annual property statement that includes the aircraft original costs as defined in subparagraph (A) of paragraph (1) of subdivision (a). If an air carrier that has this information reasonably available to it fails to report original cost and improvements, as required by Sections 441 and 442, an assessor may in that case make an appropriate assessment pursuant to Section 501.

(e) For purposes of this section, all of the following apply:

(1) “Converted freighter” means a certificated aircraft, as defined in Section 1150, that, following its original manufacture, was used for passenger transportation, but was later converted to be used primarily for cargo transportation purposes.



(2) “Mainline jet” means a certificated aircraft, as defined in Section 1150, that is either of the following:

(A) Manufactured by Boeing, Airbus, or McDonnell Douglas.

(B) Capable of being configured with approximately 100 seats or more.

(3) “Production Freighter” means a certificated aircraft, as defined in Section 1150, that immediately following its manufacture is deployed primarily for cargo transportation purposes.

(4) “Regional aircraft” means a certificated aircraft, as defined in Section 1150, that is either of the following:

(A) Manufactured by ATR (Avions De Transport Regional), Beech, British Aerospace Jetstream, Canadair Regional Jet, Cessna, DeHaviland, Embraer, Fairchild, or Saab.

(B) Generally configured with fewer than 100 seats.

(5) “Improvements” means the cost of any modifications or capital additions that materially add to the value of or substantially prolong the useful life of the aircraft, or make it adaptable to a different use. “Improvements” include modification costs incurred during a heavy maintenance visit to the extent that they materially add to the value of or substantially prolong the useful life of the aircraft. “Improvements” do not include repair and maintenance costs incurred for the purpose of keeping the aircraft in an ordinarily efficient operating condition.

(6) “Net revenue per available seat mile” means operating revenue per available seat mile less cost per available seat mile as determined by the United States Department of Transportation.

(7) “Net load factor” means actual passenger load factor less break-even passenger load factor, as determined by the United States Department of Transportation.

(8) “Net revenue per available ton mile” means operating revenue per ton mile less cost per available ton mile as determined by the United States Department of Transportation.

(9) “Yield” means average revenue per revenue passenger mile as determined by the United States Department of Transportation.

(10) “Ton Load Factor” means that percentage of effective use of cargo capacity as determined by the United States Department of Transportation.

(f) The amendments made by the act adding this subdivision shall apply with respect to lien dates occurring on and after January 1, 2011.

(g) *This section shall remain in effect only until July 1, 2017, and as of that date is repealed.*

SEC. 3. Section 401.17 is added to the Revenue and Taxation Code, to read:

401.17. (a) For the 2017–18 fiscal year and each fiscal year thereafter, it shall be rebuttably presumed that the preallocated fair market value of each make, model, and series of mainline jets, production freighters, and regional aircraft that has attained situs within this state is the lesser of the sum total of the amounts determined under paragraph (1) or the sum total of the amounts determined under paragraph (2). The value of an individual aircraft assessed to the original owner of that aircraft shall not exceed its original cost from the manufacturer. The preallocated fair market value of an aircraft may be rebutted by evidence including, but not limited to, appraisals, invoices, and expert testimony.

(1) (A) The original cost for the aircraft, which shall be determined as follows and adjusted, as applicable, under subparagraphs (B), (C), and (D):

(i) For owned and leased aircraft, the taxpayer's or lessor's acquisition cost for that individual aircraft reported in accordance with generally accepted accounting principles, and to the extent not included in the acquisition cost, transportation costs and capitalized interest and the cost of improvements made before a transaction described in clause (ii). If the original cost for leased aircraft cannot be determined from information reasonably available to the taxpayer, original cost may be determined by reference to the "average new prices" column of the Airliner Price Guide for that model, series, and year of manufacture of aircraft. If information is not available in the "average new prices" column for that model, series, and year, the original cost may be determined using the best indicator of original cost plus all conversion costs and improvement costs incurred for that aircraft.

(ii) For sale/leaseback or assignment of purchase rights transaction aircraft, the average of the taxpayer's cost established pursuant to clause (i) and the cost established in a sale/leaseback or assignment of purchase rights transaction for individual aircraft

1 *that transfers the benefits and burdens of ownership to the lessor*  
2 *for United States federal income tax purposes. In no event shall*  
3 *the original cost for sale/leaseback aircraft be less than the*  
4 *taxpayer's acquisition cost.*

5 *(iii) In the event of a merger, bankruptcy, or change in*  
6 *accounting methods by the reporting airline, there shall be a*  
7 *rebuttable presumption that the cost of the individual aircraft and*  
8 *the acquisition date reported by the acquired company, if available,*  
9 *or the cost reported prior to the change in accounting method, are*  
10 *the original cost and the applicable acquisition date.*

11 *(B) (i) For mainline jets and production freighters, the original*  
12 *cost described in subparagraph (A), plus the cost of any*  
13 *improvements not otherwise included in the original cost, shall be*  
14 *adjusted from the date of the acquisition of the aircraft to the lien*  
15 *date using the monthly United States Department of Labor*  
16 *Producer Price Index for aircraft and a 20-year straight-line*  
17 *percent-good table starting from the delivery date of the aircraft*  
18 *to the current owner or, in the case of a sale/leaseback or*  
19 *assignment of purchase rights transaction, as described in this*  
20 *section, the current operator with a minimum combined factor of*  
21 *25 percent.*

22 *(ii) For regional aircraft, the original cost described in*  
23 *subparagraph (A), plus the cost of any improvements not otherwise*  
24 *included in the original cost, shall be adjusted from the date of*  
25 *the acquisition of the aircraft to the lien date using the monthly*  
26 *United States Department of Labor Producer Price Index for*  
27 *aircraft and a 16-year straight-line percent-good table starting*  
28 *from the delivery date of the aircraft to the current owner or, in*  
29 *the case of a sale/leaseback or assignment of purchase rights*  
30 *transaction, as described in this section, the current operator with*  
31 *a minimum combined factor of 25 percent.*

32 *(iii) If original cost is determined by reference to the Airliner*  
33 *Price Guide "average new prices" column, the adjustments*  
34 *required by this paragraph shall be made by setting the acquisition*  
35 *date of the aircraft to be the date of the aircraft's manufacture.*

36 *(C) (i) For mainline jets and regional aircraft, the board shall*  
37 *analyze the adjusted original cost derived pursuant to*  
38 *subparagraph (B), for application of an economic obsolescence*  
39 *allowance which shall be determined as follows:*

1     (I) For the applicable year, the board shall calculate the average  
2     annual net revenue per available seat mile, the net load factor,  
3     and the yield utilizing the Airline Quarterly Financial Review  
4     published by the United States Department of Transportation, and  
5     referring to the section descriptive of the passenger airline  
6     industry, entitled “System Operations, System Pax. Majors” for  
7     the calendar year ending December 31 immediately preceding the  
8     applicable assessment date.

9     (II) For a 10-year benchmark, the board shall calculate as of  
10    December 31 for each of the 10 calendar years preceding the  
11    applicable year, the average annual net revenue per available seat  
12    mile, the net load factor, and the yield utilizing the Airline  
13    Quarterly Financial Review published by the United States  
14    Department of Transportation, and referring to the section  
15    descriptive of the passenger airline industry, entitled “System  
16    Operations, System Pax. Majors” for the calendar year ending  
17    December 31 immediately preceding the applicable assessment  
18    date.

19    (ii) (I) The board shall compare each factor calculated under  
20    subclause (I) of clause (i) with the corresponding factor calculated  
21    under subclause (II) of clause (i) to derive the percentage that  
22    each of the factors calculated under subclause (I) of clause (i)  
23    deviated from the 10-year benchmark calculated under subclause  
24    (II) of clause (i). The board shall then calculate a weighted average  
25    of the indicated percentage adjustments, weighted as follows:

26    (i) Net revenue per available seat mile shall be weighted 35  
27    percent.

28    (ii) Net load factor shall be weighted 35 percent.

29    (iii) Yield shall be weighted 30 percent.

30    (II) The board shall reduce the adjusted original costs derived  
31    under subparagraph (B) by the percentage adjustment calculated  
32    in subclause (I), but only if the final economic obsolescence  
33    determined under that subclause exceeds 10 percent, otherwise  
34    no economic obsolescence allowance shall be provided.

35    (D) (i) For production freighters, the board shall analyze the  
36    adjusted original cost derived under subparagraph (B), for  
37    application of an economic obsolescence allowance, as follows:

38    (I) For the applicable year, the board shall calculate the  
39    industry average of net revenue per available ton mile and the ton  
40    load factor based upon the Airline Quarterly Financial Review

1 *published by the United States Department of Transportation, and*  
2 *referring to the section descriptive of the cargo airline industry,*  
3 *entitled “System Operations, System Cargo Majors” for the*  
4 *calendar year ending December 31 preceding the relevant*  
5 *assessment date.*

6 *(II) For a 10-year benchmark, the board shall calculate as of*  
7 *December 31 for each of the 10 calendar years preceding the*  
8 *applicable year, the net revenue per available ton mile and the*  
9 *ton load factor utilizing the Airline Quarterly Financial Review*  
10 *published by the United States Department of Transportation and*  
11 *referring to the section descriptive of the cargo airline industry,*  
12 *entitled “System Operations, System Cargo Majors” as of*  
13 *December 31 for each of the 10 calendar years preceding the*  
14 *calendar year utilized for the subject year, for the calendar year*  
15 *ending December 31 immediately preceding the applicable*  
16 *assessment date.*

17 *(ii) (I) The board shall compare each factor calculated under*  
18 *subclause (I) of clause (i) with the corresponding factor calculated*  
19 *under subclause (II) of clause (i) to derive the percentage that*  
20 *each of the factors calculated under subclause (I) of clause (i)*  
21 *deviated from the 10-year benchmark calculated under subclause*  
22 *(II) of clause (i). The board shall then calculate a weighted average*  
23 *of the indicated percentage adjustments so that the net revenue*  
24 *per available ton mile is weighted 50 percent and the ton load*  
25 *factor is weighted 50 percent.*

26 *(II) The board shall reduce the adjusted original costs derived*  
27 *under subparagraph (B) by the percentage adjustment calculated*  
28 *in subclause (I), but only if the final economic obsolescence*  
29 *determined under that subclause exceeds 10 percent, otherwise*  
30 *no economic obsolescence allowance shall be provided.*

31 *(2) (A) Except as otherwise provided in subparagraph (B), for*  
32 *each individual mainline jet, production freighter, or regional*  
33 *aircraft, the board shall identify the value referenced in the “Used*  
34 *Price of Avg. Acft. Wholesale” column of the Winter edition of the*  
35 *Airliner Price Guide by make, model, series, and year of*  
36 *manufacture, and deduct 10 percent from that value for a fleet*  
37 *discount.*

38 *(B) For each individual mainline jet, production freighter, or*  
39 *regional aircraft that is less than two years old and for which the*  
40 *Airliner Price Guide does not list used wholesale values, the*

1 original cost determined under paragraph (1) of subparagraph  
2 (A) shall be decreased by the lesser of 5 percent or one-half of the  
3 percentage decrease between original cost and 90 percent of the  
4 value listed in the “Used Price of Avg. Acft. Wholesale” column  
5 of the Winter edition of the Airliner Price Guide for a two-year-old  
6 aircraft of that same make, model, and series.

7 (b) For the 2017–18 fiscal year and each fiscal year thereafter  
8 it shall be rebuttably presumed that the preallocated fair market  
9 value for each make, model, and series of converted freighters that  
10 has attained situs within this state is the amount that is determined  
11 as follows:

12 (1) (A) The board shall begin its appraisal of a converted  
13 freighter as of the relevant lien date by identifying the aircraft’s  
14 original cost as a passenger aircraft prior to conversion. The  
15 aircraft’s original cost as a converted freighter shall be the lesser  
16 of:

17 (i) Its trended original cost as a passenger aircraft prior to  
18 conversion, less a downward adjustment of 10 percent to reflect  
19 tear-outs.

20 (ii) Its value described in the Winter edition of the Airliner Price  
21 Guide in the “Used Price of Avg. Acft. Wholesale” column in  
22 passenger configuration, less a downward adjustment of 10 percent  
23 to reflect tear-outs.

24 (B) The amount determined under subparagraph (A) shall be  
25 adjusted according to the following:

26 (i) If, on the relevant lien date, the frame of the aircraft is 15  
27 years old or more, 50 percent of the cost to convert the aircraft to  
28 a freighter shall be added to the value determined under  
29 subparagraph (A).

30 (ii) If, on the relevant lien date, the frame of the aircraft is less  
31 than 15 years old, 75 percent of the cost to convert the aircraft to  
32 a freighter shall be added to the value determined under  
33 subparagraph (A).

34 (iii) In addition, all other improvements, including capitalized  
35 interest, to the aircraft that are not otherwise included in the  
36 aircraft’s original and conversion costs shall be added at full  
37 value.

38 (2) The amount determined under paragraph (1) shall be  
39 adjusted from the date of the conversion of the aircraft to the lien  
40 date using the monthly United States Department of Labor

1 *Producer Price Index for aircraft and a 16-year straight-line*  
2 *percent-good table, however, the percent-good applied to the*  
3 *aircraft shall in no event be less than 15 percent.*

4 (3) *If the Airliner Price Guide “Used Price of Avg. Acft.*  
5 *Wholesale” is utilized under paragraph (1), only the improvements*  
6 *and adjusted conversion costs pertaining to the converted freighter*  
7 *shall be adjusted from the date of the conversion of the aircraft to*  
8 *the relevant lien date using the monthly United States Department*  
9 *of Labor Producer Price Index for aircraft and a 16-year*  
10 *straight-line percent-good table. In no event, however, shall the*  
11 *percent-good applied to the improvements and adjusted conversion*  
12 *costs be less than 15 percent.*

13 (4) (A) *Except as otherwise provided in subparagraph (B), the*  
14 *board shall reduce the adjusted original cost, plus improvements,*  
15 *and adjusted conversion costs, derived under paragraphs (1) to*  
16 *(3), inclusive, by the obsolescence percentage adjustment*  
17 *calculated for production freighters under subparagraph (D) of*  
18 *paragraph (1) of subdivision (a).*

19 (B) *If the Airliner Price Guide “Used Price of Avg. Acft.*  
20 *Wholesale” is utilized under paragraph (1), only the improvements*  
21 *and adjusted conversion costs pertaining to the converted freighter*  
22 *shall be reduced by the obsolescence percentage adjustment*  
23 *described in subparagraph (A).*

24 (c) *For purposes of this section, if the Airliner Price Guide*  
25 *ceases to be published or the format significantly changes, a guide*  
26 *or adjustment agreed to by commercial air carriers and the*  
27 *counties in which certificated aircraft have situs shall be*  
28 *substituted. If these parties do not agree on a guide or adjustment,*  
29 *the State Board of Equalization shall determine the guide or*  
30 *adjustment.*

31 (d) *The taxpayer shall, to the extent that information is*  
32 *reasonably available to the taxpayer, furnish the board with an*  
33 *annual property statement that includes the aircraft original costs*  
34 *as defined in subparagraph (A) of paragraph (1) of subdivision*  
35 *(a). If an air carrier that has this information reasonably available*  
36 *to it fails to report original cost and improvements, as required*  
37 *by Sections 441 and 442, the board may in that case make an*  
38 *appropriate assessment pursuant to Section 501.*

39 (e) *For purposes of this section, all of the following apply:*

1     (1) “Converted freighter” means a certificated aircraft, as  
2     defined in Section 1150, that, following its original manufacture,  
3     was used for passenger transportation, but was later converted to  
4     be used primarily for cargo transportation purposes.

5     (2) “Mainline jet” means a certificated aircraft, as defined in  
6     Section 1150, that is either of the following:

7         (A) Manufactured by Boeing, Airbus, or McDonnell Douglas.

8         (B) Capable of being configured with approximately 100 seats  
9         or more.

10     (3) “Production Freighter” means a certificated aircraft, as  
11     defined in Section 1150, that immediately following its manufacture  
12     is deployed primarily for cargo transportation purposes.

13     (4) “Regional aircraft” means a certificated aircraft, as defined  
14     in Section 1150, that is either of the following:

15         (A) Manufactured by ATR (Avions De Transport Regional),  
16         Beech, British Aerospace Jetstream, Canadair Regional Jet,  
17         Cessna, DeHaviland, Embraer, Fairchild, or Saab.

18         (B) Generally configured with fewer than 100 seats.

19     (5) “Improvements” means the cost of any modifications or  
20     capital additions that materially add to the value of or substantially  
21     prolong the useful life of the aircraft, or make it adaptable to a  
22     different use. “Improvements” include modification costs incurred  
23     during a heavy maintenance visit to the extent that they materially  
24     add to the value of or substantially prolong the useful life of the  
25     aircraft. “Improvements” do not include repair and maintenance  
26     costs incurred for the purpose of keeping the aircraft in an  
27     ordinarily efficient operating condition.

28     (6) “Net revenue per available seat mile” means operating  
29     revenue per available seat mile less cost per available seat mile  
30     as determined by the United States Department of Transportation.

31     (7) “Net load factor” means actual passenger load factor less  
32     break-even passenger load factor, as determined by the United  
33     States Department of Transportation.

34     (8) “Net revenue per available ton mile” means operating  
35     revenue per ton mile less cost per available ton mile as determined  
36     by the United States Department of Transportation.

37     (9) “Yield” means average revenue per revenue passenger mile  
38     as determined by the United States Department of Transportation.



1     (10) “Ton Load Factor” means that percentage of effective use  
2     of cargo capacity as determined by the United States Department  
3     of Transportation.

4     (f) This section shall become operative on July 1, 2017.

5     ~~SEC. 2.~~

6     SEC. 4. Section 721.51 is added to the Revenue and Taxation  
7     Code, to read:

8     721.51. (a) Notwithstanding any other law, commencing with  
9     the lien date for the ~~2016–17~~ 2017–18 fiscal year and for each  
10    fiscal year thereafter, the board shall annually assess all personal  
11    property that is owned, claimed, possessed, used, controlled, or  
12    managed by a commercial air carrier as defined in subdivision (b).

13    (b) (1) For purposes of this section, “commercial air carrier”  
14    means an air carrier or foreign air carrier engaged in air  
15    transportation as defined in Section 1150.

16    (2) Certificated aircraft owned or used by a commercial air  
17    carrier shall be assessed in a manner consistent with the procedures  
18    set forth in Article 6 (commencing with Section 1150) of Chapter  
19    5 that determines the extent that the certificated aircraft is  
20    physically present in each county within this state.

21    (c) The board may audit a commercial air carrier as otherwise  
22    provided by law.

23    ~~SEC. 3.~~

24    SEC. 5. Section 755 of the Revenue and Taxation Code is  
25    amended to read:

26    755. (a) On or before July 15, the board shall transmit to each  
27    county auditor an estimate of the total unitary value and operating  
28    nonunitary value of state-assessed property in the county and of  
29    nonunitary state-assessed property in each revenue district in the  
30    county. An estimate need not be made for a revenue district that  
31    did not levy a tax or assessment during the preceding year unless  
32    the board receives on or before January 1 preceding the fiscal year  
33    for which the levy is to be made a notice in writing of the proposed  
34    levy. The estimate shall be regarded as establishing the total  
35    assessed value of state-assessed property in the county and each  
36    revenue district in the county for the purpose of determining tax  
37    rates, subject only to those changes as may be transmitted on or  
38    prior to July 31. All information furnished pursuant to this section  
39    is at all times during office hours open to inspection by any  
40    interested person or entity.

(b) Notwithstanding subdivision (a), in making the estimate referred to in subdivision (a), the value of property described in paragraph (1) of subdivision (a) of Section 100.1 and the nonunitary value of the property of regulated railway companies, property subject to subdivisions (i), (j), (k), and (l) of Section 100, property subject to Section 100.9, and property subject to Section 100.51 shall be allocated by revenue district.

(c) The amendments made to this section by the act that added this subdivision apply for the 2007–08 fiscal year and for each fiscal year thereafter.

~~SEC. 4.~~

*SEC. 6.* Section 756 of the Revenue and Taxation Code is amended to read:

756. (a) On or before July 31, the board shall transmit to each county auditor a roll showing the unitary and operating nonunitary assessments made by the board in the county and the nonoperating nonunitary assessments made by the board in each city and revenue district in the county; provided, however, that the roll need not show the assessments made by the board in a revenue district which did not levy a tax or assessment during the preceding year. The roll is at all times, during office hours, open to the inspection of any person representing any taxing agency or revenue district, or any district described in Section 2131. If the roll does not show the assessments in a revenue district as herein provided and a notice of a proposed levy is furnished to the board in writing, on or before January 1 preceding the fiscal year for which the levy is to be made, the board shall furnish an estimate of the total assessed value of nonoperating nonunitary state-assessed property in the district and shall transmit thereafter to the county auditor a statement of roll change showing the nonoperating nonunitary assessments made by the board in the district.

(b) Notwithstanding subdivision (a), in making the roll referred to in subdivision (a), the value of property described in paragraph (1) of subdivision (a) of Section 100.11 and the nonunitary value of the property of regulated railway companies, property subject to subdivisions (i), (j), (k), and (l) of Section 100, property subject to Section 100.9, and property subject to Section 100.51 shall be enrolled by revenue district.

1 (c) The amendments made to this section by the act that added  
2 this subdivision apply for the 2007–08 fiscal year and for each  
3 fiscal year thereafter.

4 ~~SEC. 5.~~

5 *SEC. 7.* Section 828.1 is added to the Revenue and Taxation  
6 Code, to read:

7 828.1. (a) All of the following apply to a property statement  
8 submitted by a commercial air carrier:

9 (1) Personal property located in this state, other than certificated  
10 aircraft, shall be reported by reference to the tax rate area in order  
11 to allocate assessed value by tax rate area as required by Section  
12 100.51.

13 (2) Information related to certificated aircraft that normally  
14 make physical contact in counties shall be reported in the form  
15 prescribed by the board.

16 (b) If a commercial air carrier's property statement includes  
17 fixtures that are to be locally assessed as fixtures, the board shall  
18 provide information regarding the fixtures to the county assessor  
19 for the county in which the fixtures are located.

20 ~~SEC. 6.~~

21 *SEC. 8.* Section 1152 of the Revenue and Taxation Code is  
22 amended to read:

23 1152. The allocation formula to be used by each assessor is as  
24 follows:

25 (a) The time in state factor is the proportionate amount of time,  
26 both in the air and on the ground, that certificated aircraft have  
27 spent within the state during a representative period as compared  
28 to the total time in the representative period. For purposes of this  
29 subdivision, all time, both in the air and on the ground, that  
30 certificated aircraft have spent within the state prior to the aircraft's  
31 first entry into the revenue service of the air carrier in control of  
32 the aircraft on the current lien date shall be excluded from the time  
33 in state factor. This factor shall be multiplied by 75 percent.

34 (b) The arrivals and departures factor is the proportionate  
35 number of arrivals in and departures from airports within the state  
36 of certificated aircraft during a representative period as compared  
37 to the total number of arrivals in and departures from airports  
38 during the representative period. This factor shall be multiplied  
39 by 25 percent.

(c) For the 1983–84 fiscal year and fiscal years thereafter, in computing the time-in-state factor, on each occasion during the representative period that a certificated aircraft has spent 720 or more consecutive hours on the ground, all ground time in excess of 168 hours shall be excluded from the time in state attributable to that aircraft.

(d) The time-in-state factor shall be added to the arrivals and departures factor.

(e) The figure produced by application of subdivision (d) equals the allocation to be applied to full cash value to determine the value to which the assessment ratio shall be applied.

(f) This section shall remain in effect only until ~~January 1, 2016,~~ *July 1, 2017*, and as of that date is repealed.

~~SEC. 7.~~

*SEC. 9.* Section 1152 is added to the Revenue and Taxation Code, to read:

1152. The allocation formula to be used by the board is as follows:

(a) The time in state factor is the proportionate amount of time, both in the air and on the ground, that certificated aircraft have spent within the state during a representative period as compared to the total time in the representative period. For purposes of this subdivision, all time, both in the air and on the ground, that certificated aircraft have spent within the state prior to the aircraft's first entry into the revenue service of the air carrier in control of the aircraft on the current lien date shall be excluded from the time in state factor. This factor shall be multiplied by 75 percent.

(b) The arrivals and departures factor is the proportionate number of arrivals in and departures from airports within the state of certificated aircraft during a representative period as compared to the total number of arrivals in and departures from airports during the representative period. This factor shall be multiplied by 25 percent.

(c) For the ~~2016–17~~ *2017–18* fiscal year and each fiscal year thereafter, in computing the time-in-state factor, on each occasion during the representative period that a certificated aircraft has spent 720 or more consecutive hours on the ground, all ground time in excess of 168 hours shall be excluded from the time in state attributable to that aircraft.

1 (d) The time-in-state factor shall be added to the arrivals and  
2 departures factor.

3 (e) The figure produced by application of subdivision (d) equals  
4 the allocation to be applied to full cash value to determine the  
5 value to which the assessment ratio shall be applied.

6 (f) This section shall become operative on ~~January 1, 2016~~. *July*  
7 *1, 2017*.

8 ~~SEC. 8.~~

9 *SEC. 10.* Section 1153 of the Revenue and Taxation Code is  
10 amended to read:

11 1153. (a) After consulting with the assessors of the counties  
12 in which aircraft of an air carrier normally make physical contact,  
13 the board shall designate for each assessment year the  
14 representative period to be used by the assessors in assessing the  
15 aircraft of the carrier.

16 (b) This section shall remain in effect only until ~~January 1, 2016~~,  
17 *July 1, 2017*, and as of that date is repealed.

18 ~~SEC. 9.~~

19 *SEC. 11.* Section 1153 is added to the Revenue and Taxation  
20 Code, to read:

21 1153. (a) Notwithstanding any other law, for the ~~2016-17~~  
22 *2017-18* fiscal year and for each fiscal year thereafter, the  
23 representative period to be used by the board in assessing the  
24 certificated aircraft of a commercial air carrier shall be the second  
25 full week of January annually.

26 (b) This section shall become operative on ~~January 1, 2016~~.  
27 *July 1, 2017*.

28 *SEC. 12.* *Section 1153.5 of the Revenue and Taxation Code is*  
29 *amended to read:*

30 1153.5. (a) The Aircraft Advisory Subcommittee of the  
31 California Assessors' Association shall, after soliciting input from  
32 commercial air carriers operating in the state, do both of the  
33 following:

34 (1) On or before March 1, 2006, and on or before each March  
35 1 thereafter, designate a lead county assessor's office for each  
36 commercial air carrier operating certificated aircraft in this state  
37 in that assessment year.

38 (2) Every third year thereafter, redesignate a lead county  
39 assessor's office for each of these air carriers, unless an air carrier

1 and its existing lead county assessor's office concur to waive this  
2 redesignation.

3 (b) The lead county assessor's office described in subdivision  
4 (a) shall do all of the following:

5 (1) Calculate, pursuant to Section 401.17, an unallocated value  
6 of the certificated aircraft of each commercial air carrier to which  
7 he or she is designated.

8 (2) Electronically transmit to the assessor of each county in  
9 which the property described in paragraph (1) has situs for the  
10 assessment year the values determined by the lead county  
11 assessor's office under paragraph (1).

12 (3) Receive the property statement, as described in subdivision  
13 (l) of Section 441, of each commercial air carrier to which he or  
14 she is designated.

15 (4) Lead the audit team described in subdivision (d) when that  
16 team is conducting an audit of a commercial air carrier to which  
17 he or she is designated.

18 (5) Notify, in writing, each commercial air carrier for which he  
19 or she has been designated of this designation on or before the first  
20 March 15 that follows that designation.

21 (c) (1) Notwithstanding subdivision (b), the county assessor of  
22 each county in which the personal property of a commercial air  
23 carrier has situs for an assessment year is solely responsible for  
24 assessing that property, applying the allocation formula set forth  
25 in Section 1152, and enrolling the value of the property in that  
26 county, but, in determining the unallocated fleet value for each  
27 make, model, and series of certificated aircraft of a commercial  
28 air carrier, the assessor may consult with the lead county assessor's  
29 office designated for that commercial air carrier.

30 (2) The lead county assessor's office is subject to Section 322  
31 of Title 18 of the California Code of Regulations and Sections  
32 408, 451, and 1606 to the same extent as the assessor described in  
33 paragraph (1).

34 (d) Notwithstanding Section 469, an audit of a commercial air  
35 carrier shall be conducted once every four years on a centralized  
36 basis by an audit team of auditor-appraisers from at least one, but  
37 not more than three, counties, as determined by the Aircraft  
38 Advisory Subcommittee of the California Assessors' Association.  
39 An audit, so conducted, shall encompass all of the California  
40 Personal Property and fixtures of the air carrier and is deemed to

1 be made on behalf of each county for which an audit would  
2 otherwise be required under Section 469.

3 (e) This section shall remain in effect only until ~~December 31,~~  
4 ~~2015, July 1, 2017~~, and as of that date is repealed.

5 ~~SEC. 10.~~

6 *SEC. 13.* Section 1155 of the Revenue and Taxation Code is  
7 amended to read:

8 1155. For purposes of Section 404, certificated aircraft shall  
9 be deemed to be situated only in those taxing agencies in which  
10 the aircraft normally make physical contact with sufficient  
11 regularity to entitle such agencies to tax the aircraft under the laws  
12 and Constitution of the United States. Flight time within the state  
13 shall be allocated as follows:

14 (a) If the aircraft takes off in one taxing agency which is entitled  
15 to tax (within the meaning of the preceding sentence) and lands  
16 in another agency which is entitled to tax, the flight time between  
17 such taxing agencies shall be allocated one-half to each such  
18 agency.

19 (b) If the aircraft arrives from out of state or leaves the state,  
20 the flight time from or to the state boundary shall be allocated to  
21 the taxing agency entitled to tax in which the aircraft first lands  
22 or last takes off, as the case may be.

23 (c) This section shall remain in effect only until ~~January 1, 2016,~~  
24 ~~July 1, 2017~~, and as of that date is repealed.

25 ~~SEC. 11.~~

26 *SEC. 14.* Section 1155 is added to the Revenue and Taxation  
27 Code, to read:

28 1155. (a) For purposes of Section 100.51, certificated aircraft  
29 shall be deemed to be situated only in those tax rate areas in which  
30 the aircraft normally make physical contact with sufficient  
31 regularity to entitle that tax rate area to the assessed value of the  
32 aircraft under the laws and Constitution of the United States. Flight  
33 time within the state shall be allocated as follows:

34 (1) If the aircraft takes off in one tax rate area that is entitled to  
35 the assessed value of the aircraft and lands in another tax rate area  
36 that is entitled to the assessed value of the aircraft, the flight time  
37 between the two tax rate areas shall be allocated one-half to each  
38 of the two tax rate areas.

39 (2) If the aircraft arrives from out of state or leaves the state,  
40 the flight time from or to the state boundary shall be allocated to

1 the tax rate area entitled to the assessed value of the aircraft in  
2 which the aircraft first lands or last takes off, as the case may be.

3 (b) This section shall become operative on ~~January 1, 2016.~~  
4 *July 1, 2017.*

5 *SEC. 15. Section 1157 is added to the Revenue and Taxation*  
6 *Code, to read:*

7 *1157. (a) Notwithstanding Section 469, the board shall conduct*  
8 *an audit of a commercial air carrier that has a full value of four*  
9 *hundred thousand dollars (\$400,000) or more of assessable*  
10 *California personal property once every four years. An audit, so*  
11 *conducted, shall encompass all of the California personal property*  
12 *of the air carrier and is deemed to be made on behalf of each*  
13 *county for which an audit would otherwise be required under*  
14 *Section 469.*

15 *(b) This section shall become operative on July 1, 2017.*